

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2936 - HB 3217

March 2, 2010

SUMMARY OF BILL: Creates a Tennessee electronic high school that shall be a special school under the direction and control of the State Board of Education (SBOE). The electronic high school shall offer courses in an open-entry and exit and shall offer all courses needed for a regular high school diploma in accordance with existing curriculum framework. Requires public high schools to accept all credits awarded to electronic high school students and apply those credits toward regular graduation requirements.

The electronic high school shall have an initial enrollment capacity of 450 students and SBOE shall ensure that space is allocated so that every public high school student has an opportunity to enroll; at least one space shall be allotted to each LEA that operates a high school. If no student from a local education agency (LEA) applies for enrollment, that space may be given to a student from another LEA. Sets forth student enrollment eligibility requirements.

Requires parents or guardians of students enrolling in the electronic high school to agree to the enrollment in writing. Requires electronic high school teachers to be certified to teach in Tennessee as per the normal licensure requirements.

Requires the SBOE to collaborate with the Department of Education (DOE), the Tennessee Higher Education Commission, the University of Tennessee, and the Tennessee Board of Regents to develop courses for the electronic high school that meet the requirements of the International Baccalaureate (IB), Advanced Placement (AP), and other honor courses.

Requires the electronic high school to provide computers, payment of internet connectivity, and other fees that will be required for enrollment. Authorizes SBOE to contract with private entities for the operation of the high school.

Requires SBOE to approve the budget for the electronic high school and make rules and regulations for its operation. The duty free lunch provisions that apply to the other state special schools shall not apply to the electronic high school. Salaries shall be paid in full from state appropriations in accordance with the compensation level set by SBOE. The electronic high school will begin enrollment of students in the fall of 2011.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$1,015,000/One-Time/General Fund
\$1,825,000/Recurring/General Fund**

Decrease State Expenditures - \$1,795,500/Recurring/BEP

Increase Local Expenditures - \$1,795,500/Recurring*

Assumptions:

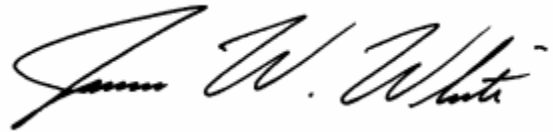
- According to DOE, the state will host the electronic high school on state servers and equipment. One-time costs for hardware set-up is estimated to be \$300,000. Recurring website maintenance will cost approximately \$80,000. Two additional information technology staff will be required at a total cost of \$130,000 with salary (\$85,800) and benefits (\$44,200).
- One administrator and one administrative assistant will be hired. The administrator will cost approximately \$90,000 with salary (\$59,400) and benefits (\$30,600). The administrative assistant will cost approximately \$50,000 with salary (\$33,000) and benefits (\$17,000).
- One-time increase in state expenditures for computers and office setup will be approximately \$175,000.
- Approximately 450 students will attend the electronic high school. These students will attend the high school from their home. The state will pay internet connectivity fees. According to the Department of Education, internet connectivity fees will cost approximately \$45 per student per month; total cost of \$243,000 ($450 \times \45×12).
- The state will purchase laptops for each student, at a cost of approximately \$1,200 per computer. Total increase in one-time expenditures cost for student laptops will be approximately \$540,000 ($\$1,200 \times 450$).
- Class sizes will be similar to a regular high school. Using the BEP formula, 450 students will generate approximately 20 teachers (approximate class size of 23). The cost per teacher will be approximately \$61,600 with salary (\$40,656) and benefits (\$20,944). Total increase in state expenditures for teachers will be \$1,232,000 ($\$61,600 \times 20$).
- The total increase in one-time state expenditures will be approximately \$1,015,000 ($\$300,000 + \$175,000 + \$540,000$).
- Total increase in recurring state expenditures will be approximately \$1,825,000 ($\$80,000 + \$130,000 + \$90,000 + \$50,000 + \$1,232,000 + \$243,000$).
- The BEP generates an average of \$5,700 per student. BEP funding will decrease since students attending the electronic high school will no longer be counted for ADM (average daily membership) purposes. BEP funding is split approximately 70/30 between the state and LEA respectively.

- The total decrease in BEP funding will be approximately \$2,565,000 (\$5,700 x 450) split approximately 70/30 between the state and LEAs. The decrease in state BEP funding will be approximately \$1,795,500 (\$2,565,000 x 70%).
- LEAs must continue to pay for fixed costs such as teachers, support staff, facility maintenance, and other costs. It is assumed that LEAs will not decrease local funding at all and will increase expenditures to make up for any losses in state funding. The increase in local expenditures is estimated to be \$1,795,000.
- Any increase in state expenditures in collaboration between various state stakeholders for the development of IB, AP, or other honors on-line course material is estimated to be not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

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